Exhibit 1

The High Cost of Benefit Delivery
Is the Price Right?

Mark Priven, Bickmore Risk Services
Alex Swedlow, CWCI

Exhibit 2

The High Cost of Delivering Benefits

Good news on reform

- Medical trend is stabilizing
- No big surprises on RBRVS
- Fewer spine surgeries
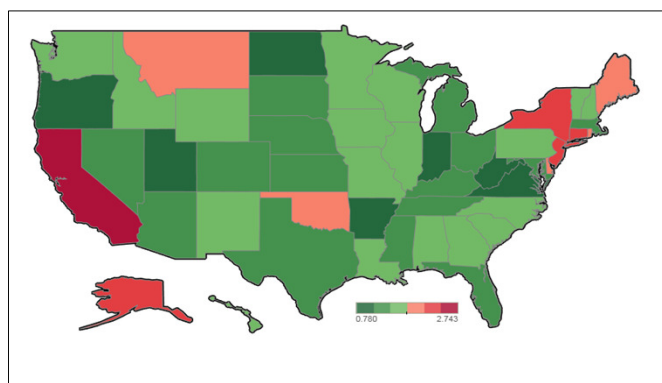- Fewer opioids

Exhibit 3

The High Cost of Delivering Benefits

Not so good news:

- Rate
- Frequency
- Expenses

Exhibit 4

California within the National Landscape

Highest Rate

0.780   2.743

Avg. Average Rate per ..
1.01   2.99

Source: Oregon Dept. of Business & Consumer Services Study 2016

Exhibit 5

California within the National Landscape

Highest frequency of Permanent Partial Disability

91.7   728.3
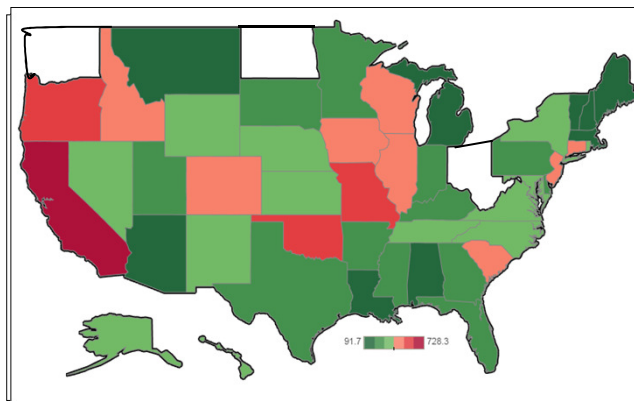
Source: NCCI 2016

Perm#_Partial

120.7   805.7

Exhibit 6

California within the National Landscape

Highest Expenses

13.40   34.90

Source: NCCI 2016
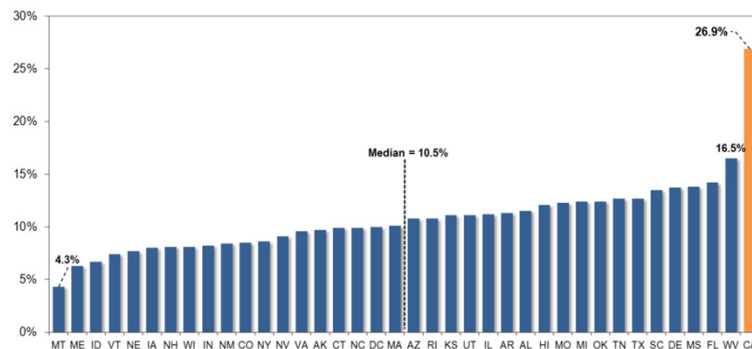
Exhibit 7
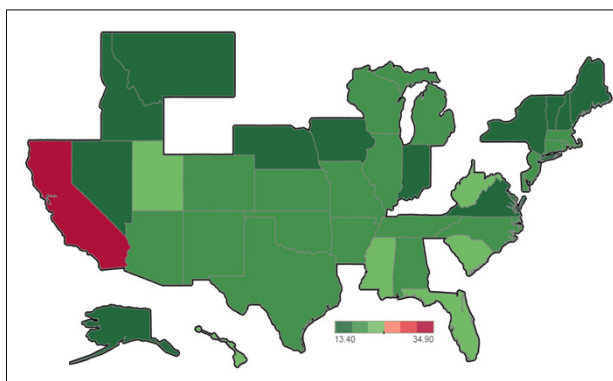
California within the National Landscape

Highest Expenses
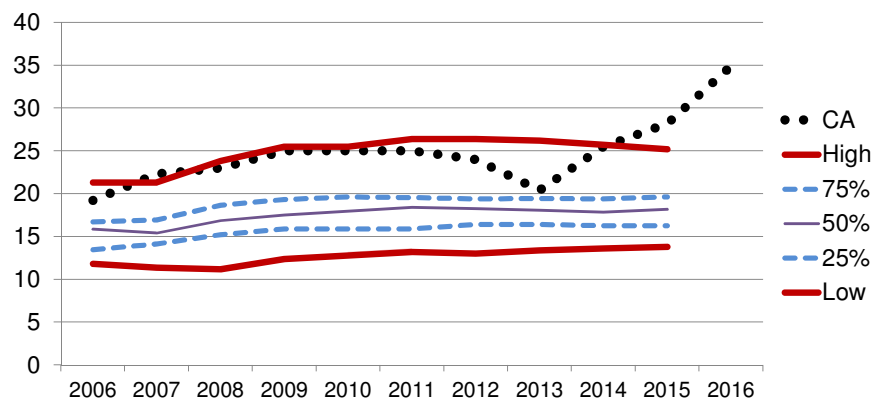### Ratios of ALAE to Losses by State

Source: NCCI 2016

Exhibit 8

Loss Adjustment Expense / Loss By State

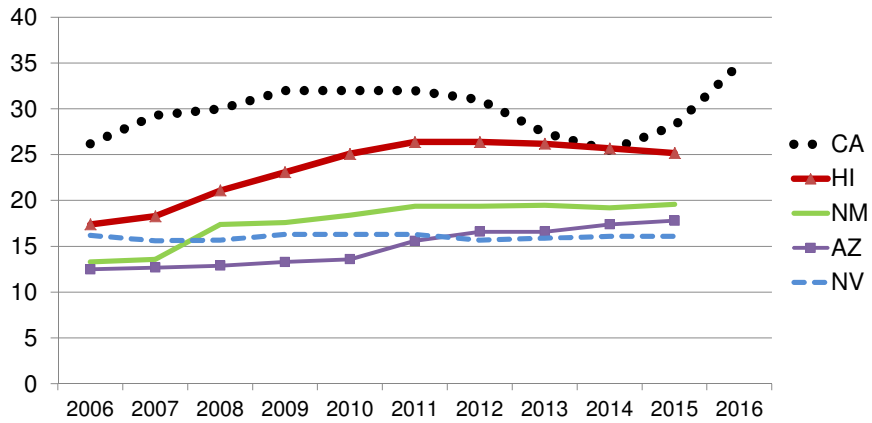

2015 & Prior: Reported by NCCI
2016 California: WCIRB Rate Filing

Exhibit 9

Loss Adjustment Expense / Loss
By Western States

Legend: CA, HI, NM, AZ, NV

2015 & Prior: Reported by NCCI
2016 California: WCIRB Rate Filing

Exhibit 10

Loss Adjustment Expense / Loss
By Large States
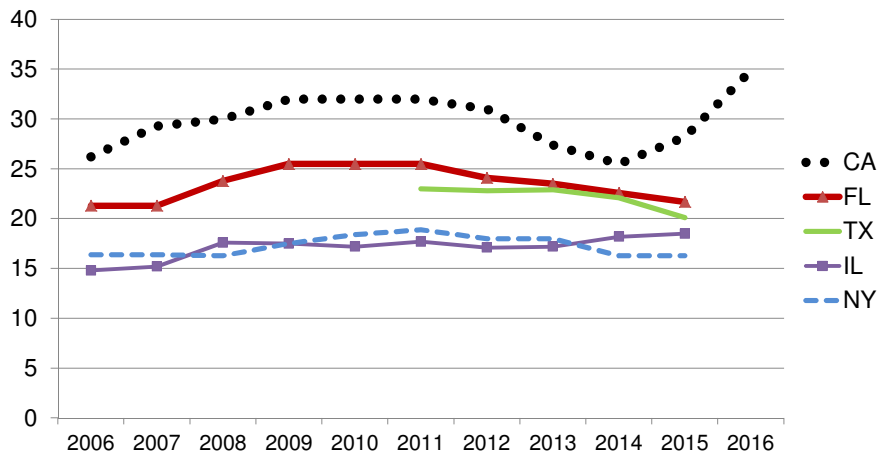
Legend: CA, FL, TX, IL, NY
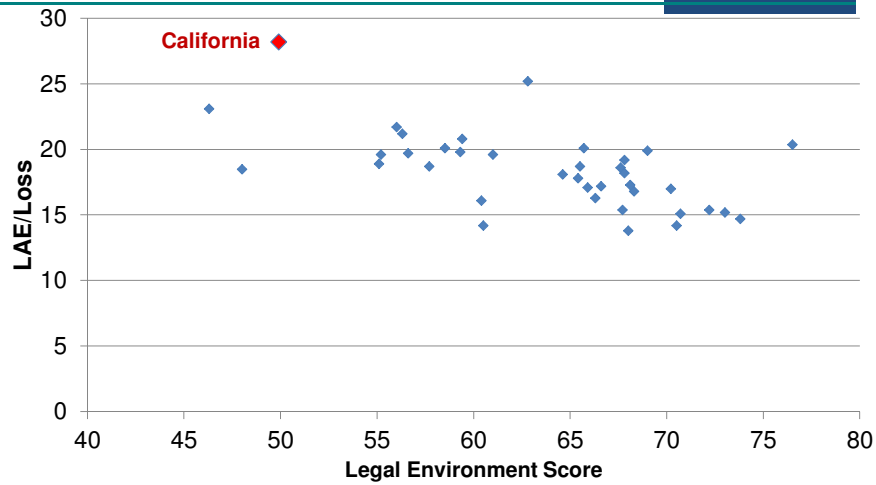
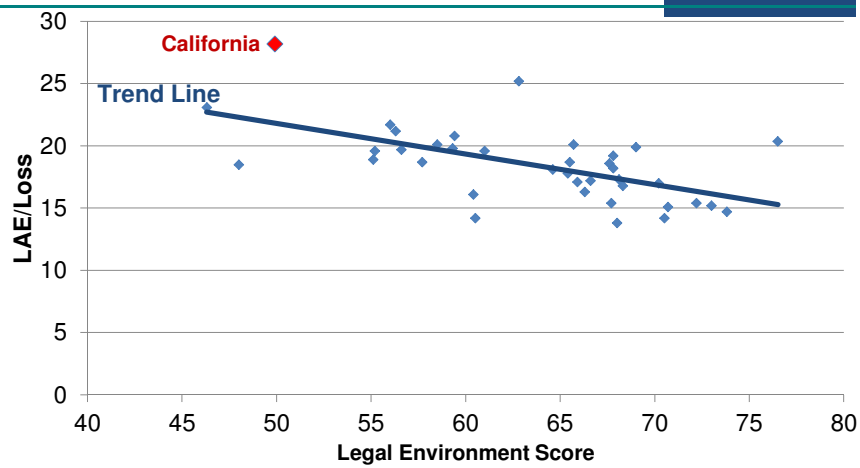2015 & Prior: Reported by NCCI
2016 California: WCIRB Rate Filing

Exhibit 11

Legal Environment and LAE

Source: Chamber of Commerce 2015 Lawsuit Climate Survey
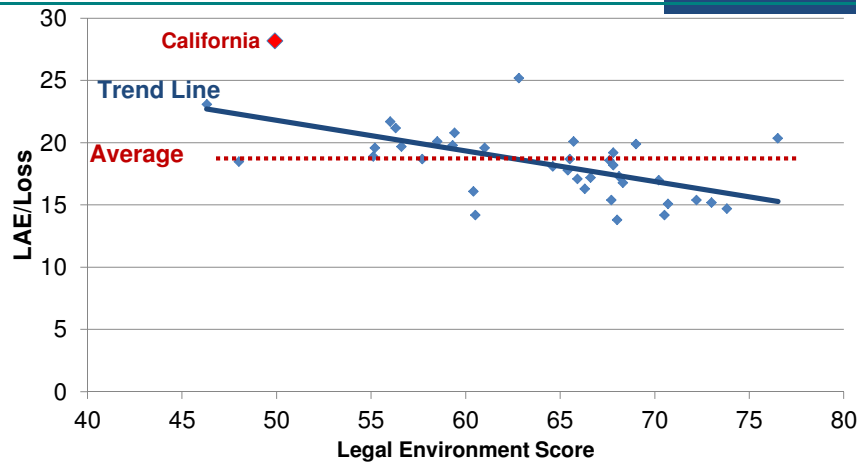
Exhibit 12

Legal Environment and LAE

Legal Scores based on Chamber of Commerce 2015 Lawsuit Climate Survey

Exhibit 13

Legal Environment and LAE

California ◆

Trend Line

Average

LAE/Loss

Legal Environment Score

Legal Scores based on Chamber of Commerce 2015 Lawsuit Climate Survey

Exhibit 14

Legal Environment and LAE

California ◆

Trend Line

Average

Deviation in LAE Explained by CA Legal Environment

LAE/Loss

Legal Environment Score
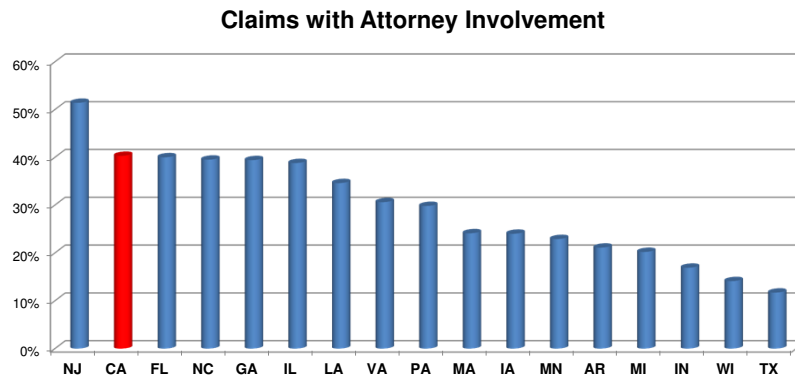
Legal Scores based on Chamber of Commerce 2015 Lawsuit Climate Survey

Exhibit 15
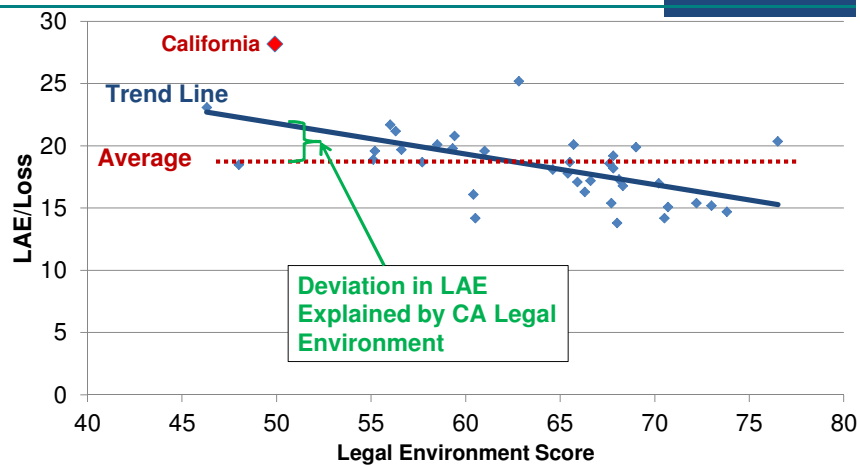
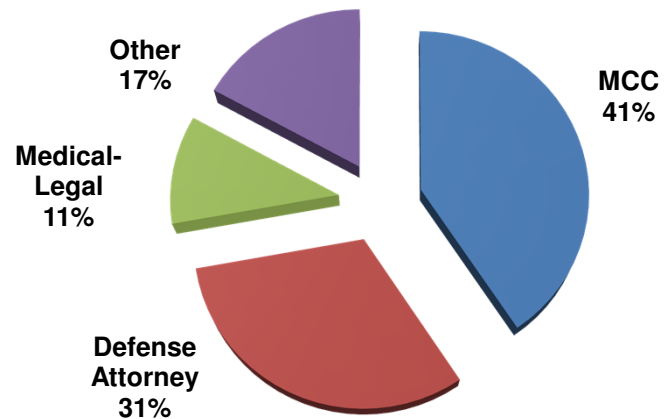# Claims with Attorney Involvement

Claims with Attorney Involvement

California is #2

Source: WCRI CompScope 2015

Exhibit 16

Breakdown of California "Benefit Delivery Expense"
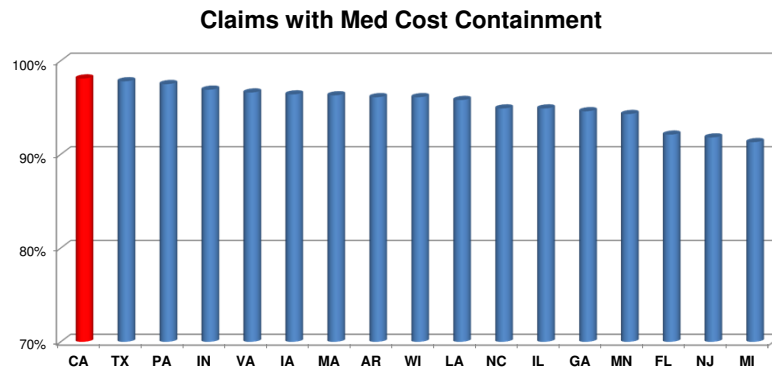

Other = App attorney, ancillary legal costs, admin assessments, etc.

WCRI CompScope for CA Edition 15 (2015)

Exhibit 17

Claims with Medical Cost Containment

Claims with Med Cost Containment

California is #1

Source: WCRI CompScope 2015

Exhibit 18

Benefit Delivery Costs
Impact of "Development"
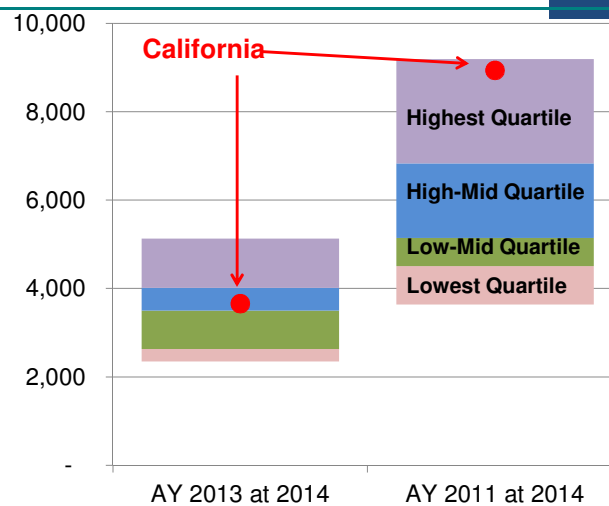
WCRI CompScope for CA Edition 15 (2015): 17 State Comparison

Exhibit 19

Estimated 2016 Cost Split

Other Expense 18%
Medical 37%
LAE 21%
Indemnity 24%
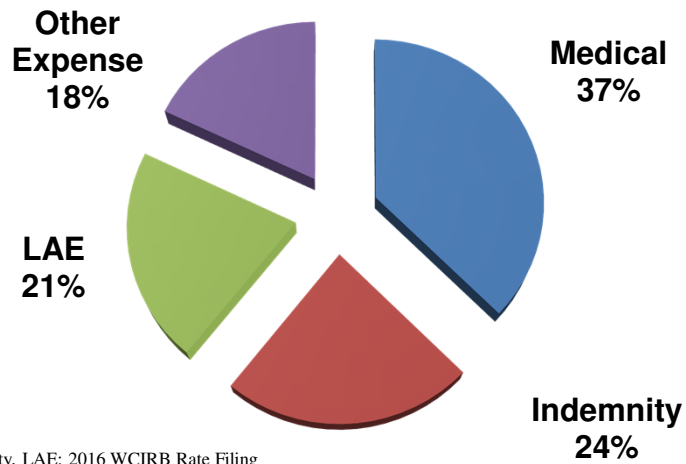
Medical, Indemnity, LAE: 2016 WCIRB Rate Filing
Other expenses: Based on % reported expense 2014

Exhibit 20

Comparison of Administrative Costs

	CA WC	CA Disability Insurance	SSDI	CA Grp Health (target)
	39%	4%	2%	20%

Exhibit 21
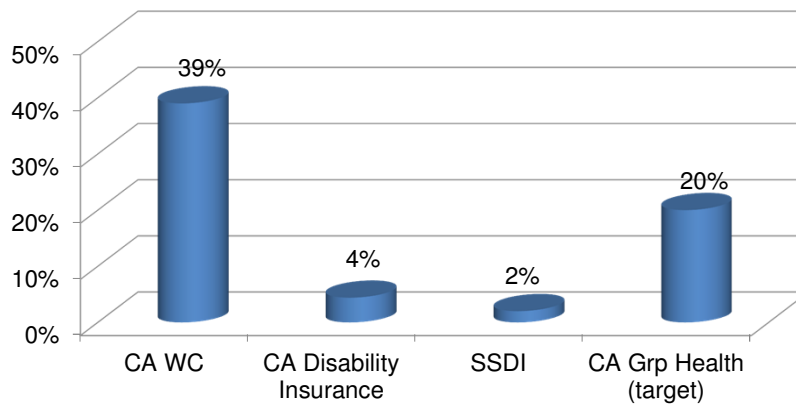
Managing Medical Management

Why is California workers' comp medical hard to manage?

1. Size matters

2. Little shared risk in fee for service delivery:
   - Appropriate absence of supply and demand side controls such as co-payments and deductibles
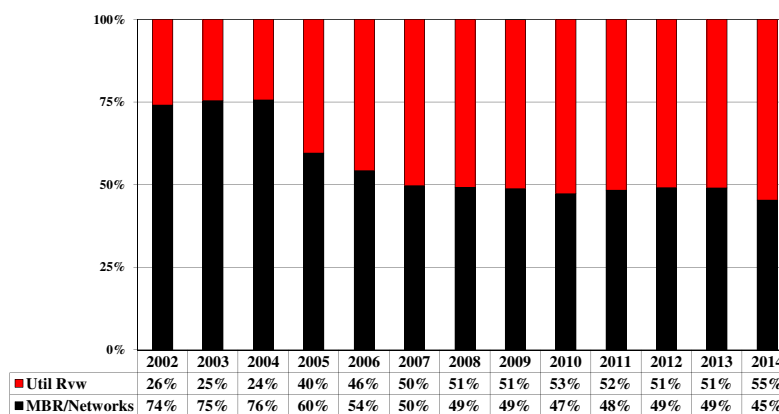
3. Utilization Review is essential and costly
   - Much of UR is on high volume care
   - Without shared risk, it's about the only option
   - Can be further optimized

4. Disputes and dispute resolution
   - Before: Legal process, decisions by judges
   - Now: Evidence-based medicine and IMR

Exhibit 22

Components of Medical Cost Containment

Utilization Review, Medical Bill Review & Network Fees

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Util Rvw	26%	25%	24%	40%	46%	50%	51%	51%	53%	52%	51%	51%	55%
MBR/Networks	74%	75%	76%	60%	54%	50%	49%	49%	47%	48%	49%	49%	45%

Source: CWCI 2016

Exhibit 23

Public Policy History of Medical Care Delivery
Setting the right type and level of care

California LC 4600
    Treatment reasonably required to cure or relieve from the effects of injury
    now means treatment that is based on the MTUS

Presumption of Correctness (1994)
    Conferred a presumption of correctness to the injured worker's PTP

Minniear Decision (1996)
    PTP's presumption expanded to medical issues

Medical Treatment Utilization Schedule (2003)
    DWC's evidence-based MTUS is presumed correct

SB 863 (2013)
    Independent Medical Review.